

Letter from the Governor

To: The Honorable Members of the Legislature
and the Citizens of the State of New Hampshire

I am pleased to accept the *Fiscal Year 2000 Financial Report to the Citizens of New Hampshire*, prepared by the Department of Administrative Services.

This report goes beyond explaining the detailed accounting policies and financial position of the state. This report attempts to explain to taxpayers what services they are receiving for their tax dollars and to update residents on some key issues in New Hampshire.

The most significant accomplishment of Fiscal Year 2000 was the progress we have made on school funding. We passed an interim school-funding law that allowed 80 percent of New Hampshire communities to lower their property taxes or invest more in their schools. But, while the education-funding debate dominated the news, New Hampshire's state government continues to provide a variety of quality services to its citizens. We have a great many accomplishments in the last year that are outlined in this report, including:

- Five additional communities began offering public kindergarten this year, bringing to 29 the number of communities that have started kindergartens through the kindergarten incentive program established in 1997;
- More than 10,000 previously uninsured children now have health care through the Children's Health Insurance Program;
- Record enforcement of child support orders is helping bring financial security and stability to families and children;
- New programs are helping New Hampshire residents make the transition from welfare to work;
- New partnerships with companies and colleges are providing high school students with education advancement opportunities;
- The state has completed the expansion of the Everett Turnpike two years ahead of schedule, and has nearly finished work on Route 101;
- The Northern Correctional Institute in Berlin is responding to the state's growing inmate population while providing a boost to the North Country's economy; and
- Private and public partnerships are helping protect the state's environmental quality for all its citizens.

I commend the staff of the Department of Administrative Services for their work on this report. Fiscal Year 1999 marked the first year the Department produced this report.

I would like to congratulate the department's staff on receiving the Award for Outstanding Achievement in Popular Annual Financial Reporting from the Government Finance Officers Association. This national award recognizes the Department's commitment to clearly communicate the state's financial condition and program accomplishments.

My hope is that citizens find the Fiscal Year 2000 Report informative and useful in understanding the positive impact of the services the state offers.

Very truly yours,



Jeanne Shaheen

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Selected State Officials

For the Fiscal Year Ended June 30, 2000

Executive Branch

Governor

Jeanne Shaheen

Executive Council

Raymond S. Burton, District 1

Peter J. Spaulding, District 2

Ruth L. Griffin, District 3

Thomas P. Colantuono, District 4

Bernard A. Streeter, District 5

Attorney General

Philip T. McLaughlin

Commissioner of Administrative Services

Donald S. Hill

Treasurer

Georgie A. Thomas

Secretary of State

William M. Gardner

Legislative Branch

President of the Senate

Beverly A. Hollingworth

24 Senators

Speaker of the House of Representatives

Donna Sytek

400 Representatives

Judicial Branch

Chief Justice of the Supreme Court

David A. Brock



**Governor and
Executive Council:
(Left to Right)
Thomas Colantuono,
Raymond Burton,
Jeanne Shaheen,
Peter Spaulding,
Ruth Griffin,
Bernard Streeter.**

Letter from the Commissioner

To: The Citizens of New Hampshire,
Her Excellency the Governor
and the Honorable Council

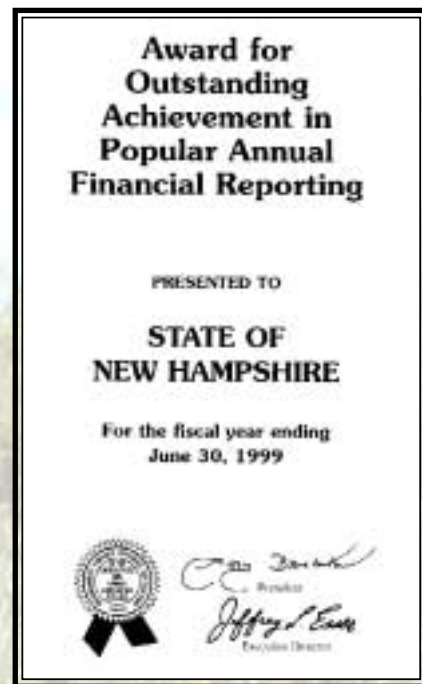
December 1, 2000

The purpose of this report is to communicate relevant financial, economic, and program information in an easy-to-understand format. We are pleased to announce that last year's report received the Award for Outstanding Achievement in Popular Annual Financial Reporting from the Government Finance Officers Association (GFOA). This prestigious national award recognizes conformance with the highest standards for preparation of state and local government popular reports. In order to receive this award, the report must conform to program standards of creativity, presentation, understandability and reader appeal. The award is valid for a period of one year. We believe that our Fiscal Year 2000 report continues to conform with the GFOA's program requirements and it will be submitted to GFOA.

While education funding has dominated the state this year, this report attempts to communicate an overview of the state's finances and major program initiatives. The overview of state operations presented here has been simplified from the traditional format found in our Comprehensive Annual Financial Report (CAFR). The selected financial information presented is in accordance with generally accepted accounting principles, but does not include all of the required disclosures required by the Governmental Accounting Standards Board (GASB). This report highlights the core finances of the state and contains only selected funds. Readers that have a need for more information regarding the accounting policies, the various required accounting disclosures, and the financial status of individual state funds and component units, should obtain a copy of the CAFR. The CAFR, which includes the independent auditor's report, can be accessed by viewing our web site at www.state.nh.us/das/accounting/reports.htm or by contacting the Department of Administrative Services, Bureau of Financial Reporting, State House Annex Room 413, Concord, NH 03301.

We are proud to team up with the Department of Fish and Game, to highlight the state-wide conservation efforts. The land protection efforts sponsored by many public and private partnerships are working towards maintaining New Hampshire's quality of life, which is key to attracting business and people for future economic growth.

In Fiscal Year 2000, in response to the education lawsuit the state made significant changes to its tax structure. Unrestricted revenue, net of Medicaid enhancement, increased to \$1.3 billion, a 33.3% increase over the last fiscal year. In addition to the new revenue sources to fund education, \$124.8 million of general fund surplus at June 30, 1999 was reserved. At June 30, 2000 the education fund had a surplus balance of \$66.3 million and the general fund had a surplus balance of \$4.0 million. Even with these revenue changes, a deficit in the education fund is projected for Fiscal Year 2001 and is anticipated to grow substantially until a long-term funding solution is found.



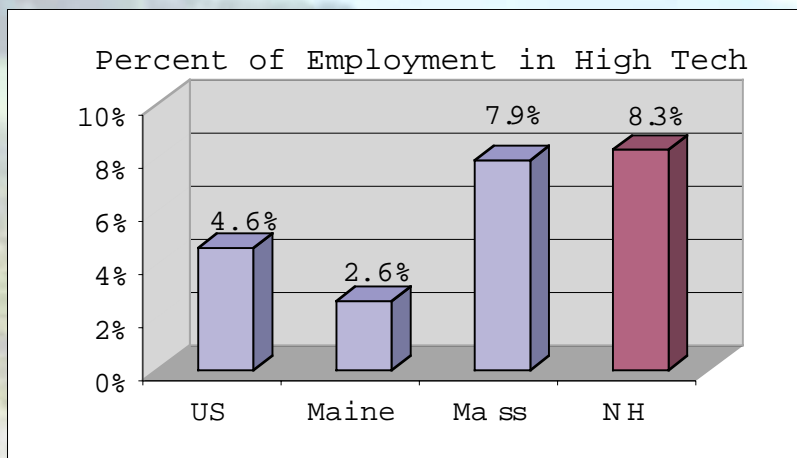
A handwritten signature in black ink, reading "Donald S. Hill".

Donald S. Hill, Commissioner

2000 Citizens Report Prepared By:
Department of Administrative Services, Division of Accounting Services
Thomas E. Martin, CPA Comptroller
Sheri L. Walter, CPA
Jill M. Chapman

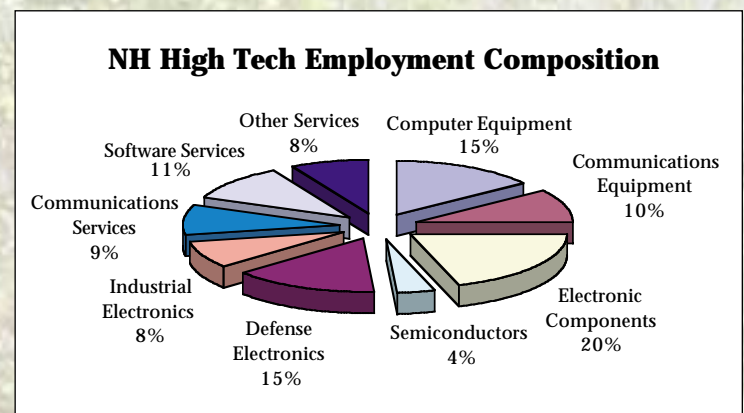
New Hampshire and the New Economy

This knowledge-based new economy is characterized by globalization and innovative spirit. Its foundation relies on a skilled and educated workforce. New Hampshire's economic vitality supports its move into the new economy era. NH has outperformed New England in terms of growth in *population, employment, income and gross state product* through post WWII period and post recession (1988-1992).



The number of high tech firms in NH has grown faster than any other industry. Currently New Hampshire's national ranking is second in high tech employment.

NH has 75% of its high tech employment in **manufacturing**, significantly higher than New England and the nation. It is built upon NH's strong manufacturing tradition, which employs over 105,000 workers in the state. However, the composition of NH's manufacturing has changed from low value added non durable goods, to high value added high technology durable goods.



NH's Labor Force

New economy firms locate where their most valued workers want to live and work. The in-migration of skilled workers and entrepreneurs has helped NH and eCoast (Greater Portsmouth) prosper. New Hampshire's challenge will be to continue to provide skilled workers to fuel this new economy.

- NH had the 2nd lowest unemployment rate in the US last year (2.8% as of June 2000)
- NH has ranked 1st in The Northeast in percent of population moving into the state since 1980
- Over 50% of in-migrants are from other New England states
- eCoast has the highest in-migration in NH
- Magnets include our relative low tax burdens and economic opportunity

Source: Information supplied by Ross Gittel, Whittemore School of Business and Economics, UNH and *The White Paper* sponsored by Network NH.

New Hampshire and New Economy

New Hampshire's technological sophistication is thriving, according to *The New Hampshire 2000 Survey*, conducted by the University of New Hampshire Survey Center. The survey conducted in June 2000 finds that more than 75% of NH households own at least one computer – approximately 50% higher than the US average. Combining those who have access to the Internet, either from home or work, almost three-quarters (72%) of residents are on line.

Home Computer Ownership

	Percent
One Computer	48%
Two	20%
Three or more	10%
None	22%

How often are the users on line?

	From Home	From Work
No internet access	12%	41%
Less than 1 hour per day	27	22
1 hour per day	16	8
2 hours per day	11	4
3 or more hours per day	11	7

Source: Information taken from The New Hampshire 2000 Survey, sponsored by the Business & Industry Association of New Hampshire, Fidelity Investments, the Library and Archives of New Hampshire's Political Tradition, the New Hampshire Charitable Foundation, the New Hampshire Small Business Development Center, and the University System of New Hampshire.

New Hampshire's Economic Scoreboard for 2000

Categories	NH's National Rank	NH's Rank in New England
Favorable Tax Climate	1st	1st
Healthiest State (Morgan Quitno, 2000)	1st	1st
Standard of Living (by Poverty Rate)	1st	1st
Child and Family Well-Being (Annie E. Casey)	2nd	1st
Safest State (Morgan Quitno, 2000)	2nd	1st
Most Livable State (Morgan Quitno, 2000)	5th	1st
College Graduation Rate	12th	4th

New Hampshire continues to lead New England and the nation in quality of life rankings. NH moved from 8th in the nation to 5th in terms of "Most Livable State" and gained top rank in terms of favorable tax climate, healthiest state and standard of living.

Source: New Hampshire Economic Review, Public Service of New Hampshire

New Hampshire Community Technical College



On April 7, 2000 at the NH Technical Institute of Concord, a groundbreaking ceremony was held for the construction of a \$3million, 26,000 square foot facility that will house the Library/Electronic Learning Center. Occupancy is scheduled for the summer 2001. As Wm John Hare, NHTI's Director of Learning Resources, said "This building represents an exciting opportunity at a time when methods for managing information are rapidly evolving."

Photo (Left to Right): Matthew Moore, DPW; Fred Matuszewski, Architect; Dr. William G. Simonton, NHTI President; Claudette Mahar, NHCTCS Board of Trustees Chair; Hal Koch, NHTI Advisory Committee; Hal Eckman, Eckman Construction.

Critical Initiatives with High Schools

Project Running Start – Get a Jump Start on College While in High School

- Running Start is a special higher education initiative that allows high school students to take college courses offered by the NH Community Technical College System during their regular school day with a 2/3 tuition discount.
- Upon completing the course, students receive both high school and college credits.
- The pilot program began in the Fall 1999, with 17 college course sections in 9 high schools, serving approximately 200 students
- In the Fall 2000, expected enrollment is 300-350 students in 20+ high schools.

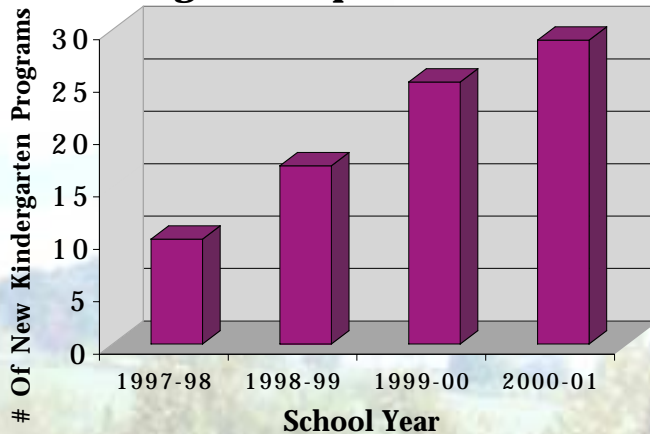
Cisco Academy – High School – College Collaboration in Information Technology

- Cisco is a worldwide industry leader in networking for the Internet.
- In 1999, NH Community Technical College System formed a partnership with Cisco so students could develop skills in the field of networking.
- Students take a two-year Cisco Curriculum as part of their high school experience. The college faculty train high school faculty to teach this specialized curriculum.
- Students graduate as networking technicians and have the opportunity to continue towards an associate degree.
- In its second year of operation, the program has 14 high schools involved.

Going the Distance

Going the Distance is a distance learning project with New Hampshire Public Television. The program allows students to pursue their college career with convenience and flexibility, with more than 70 courses offered using the Internet, mail and video. The spring 2000 term had more than 200 registrations, and enrollment is expected to grow.

Kindergarten Implemented in NH



In order to make the benefits of **public kindergarten** available to all children in New Hampshire, significant legislation was enacted in the 1997 session. This legislation provided funds for both current operating expenses and construction. Since the initiative, an additional 1,800 students in 29 communities are attending public kindergarten this year, cutting in half the number of communities in NH without public kindergarten.

The **New Hampshire Educational Improvement and Assessment Program** was established by the legislature in 1993. To accomplish program goals, committees of educators, administrators, parents, policy makers, and business people from across the state developed curriculum frameworks. Although the assessments have seen relatively modest growth, the results are used at the local level to identify trends, strengths, and weaknesses in curriculum and instruction and to develop local educational improvement plans.

Grade 3 NHEIAP Results (Mean Scaled Score)			
	1998	1999	2000
Mathematics	254	254	255
English	252	254	254

Novice (200-239), Basic (240-259), Proficient (260-279) Advanced (280-300)

In order to better evaluate schools, the Department of Education has developed NH School Report Cards. In addition to test results, the report cards give parents, students and others information about enrollments, drop out rates, graduation statistics, teacher to student ratios, school spending, safety and community data.

The Best Schools Initiative

The Initiative is built on recommendations developed at Governor Shaheen's October 1997 Education Summit. Assistance is provided to participating schools and districts in the following areas:

- Excellence in Teaching
- Strong Educational Programs
- Quality Learning Environments
- Strong Business, Parent, Community and School connections
- Integrated Educational Technology
- Students Ready to Learn

The goal of the Initiative is improvement in student success – at school, in the work place and in the community. The Best Schools Initiative brings educators, students, business people, state policy makers, parents, and municipal officials together to improve results for New Hampshire's children by improving our schools. Nearly 60 teams, representing approximately 1,000 New Hampshire citizens, are participating, with more to be added this winter.

Health and Human Services

The Child Health Insurance Program:

This public/private initiative brings foundation funding together with state and federal resources to provide health insurance for uninsured children. Since January 1999 to June 2000, over 9,000 previously uninsured children have been enrolled.

Child Support:

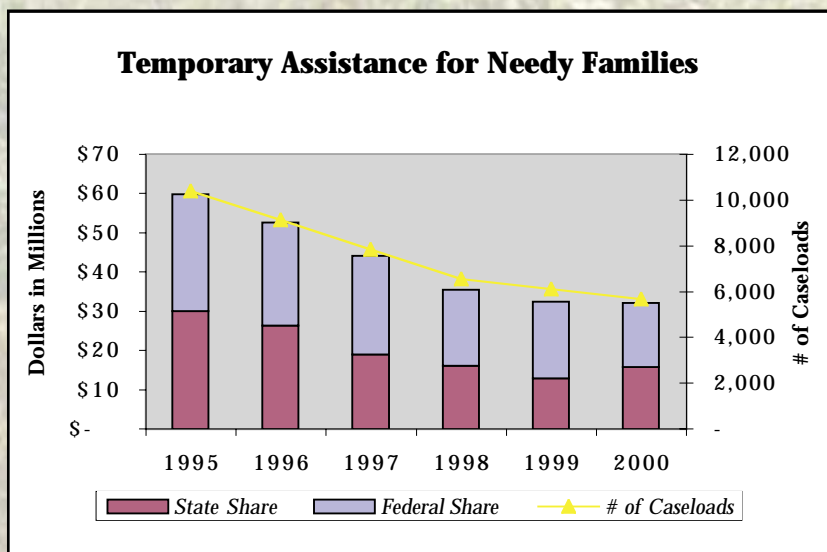
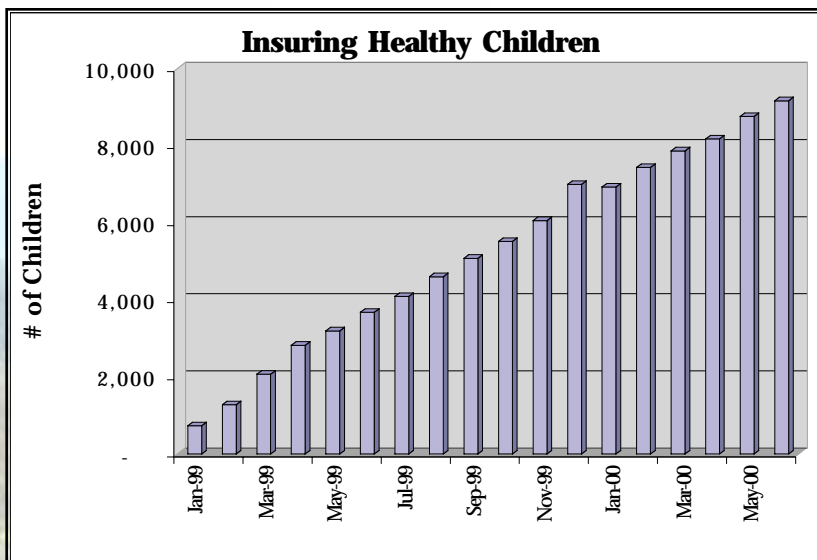
Child Support contributes to the stability of families and children by establishing paternity as well as medical and financial

child support orders and the enforcement of those orders. *Last fiscal year the state collected and disbursed over \$70 million in child support on behalf of 50,000 children.* Recipients of Temporary Assistance to Needy Families (TANF) must participate in the State's Child Support Program. These same services, as well as location of non custodial parents and collection and disbursement of Child Support payments, are also available to any custodial parent in the state upon application and at no charge.

From Welfare to Work:

Welfare reform in New Hampshire has been based on a change in philosophy from a cash assistance program to an employment support program. Through the New Hampshire Employment Program (NHEP), the Department of Health and Human Services (DHHS) helps people get jobs. NHEP is a collaborative effort by the NH Department of Health and Human Services, NH Employment Security,

and the NH Community Action Agencies. NHEP employment support teams are located in the NH Works One Stop Career centers located throughout the state. NHEP employment teams help people get jobs by providing individualized employment and support services, such as access to career information, job openings, education, training, child care, and transportation assistance. Welfare caseloads have decreased by over 50%, and over 9,000 individuals have gained employment since the enactment of welfare reform.



Department of Corrections



The Northern NH Correctional Facility (NCF)

This \$30 million medium security prison, opened in Berlin on April 28, 2000. Its operating budget for FY00 was \$3.4 million or approximately 5.6% of the entire NH Department of Corrections operating budget. NCF will employ 218 people, many of them residents from the Berlin region. By October 11, 2000, 265 male inmates were housed at NCF and there were 175 people employed there.

The facility was built to house 500 inmates. A majority of the inmates are being transferred from the NH State Prison in Concord.

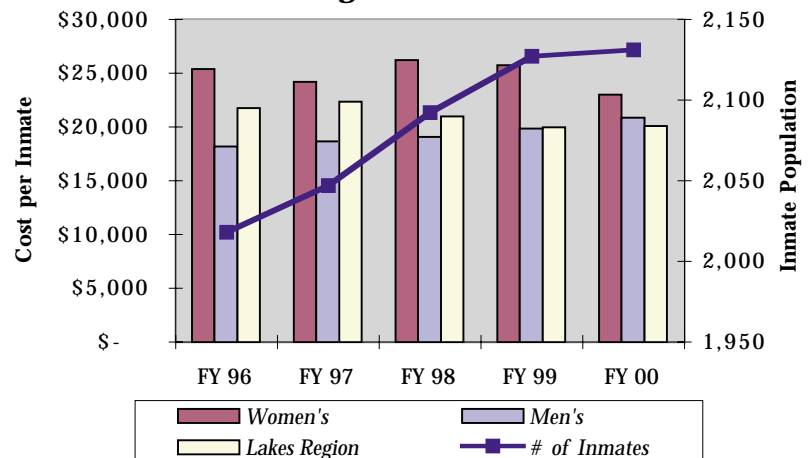
NCF is a Direct Supervision facility. This means that the Correctional Officers remain locked in the day rooms of the housing units with the inmates. Each unit will house 68 inmates. The Direct Supervision concept has met with success in other states. It allows for better interaction between inmates and officers and lends itself to a safer environment overall.

NCF has a full-service, 20-seat courtroom with a state-of-the-art video teleconferencing link to other courtrooms and prisons in the State of New Hampshire. There are nine classrooms, a 45-seat chapel, and two libraries - one available for legal research. In addition NCF Health Services can provide bed care for sixteen inmates.

2000 Average Inmate Cost:
\$20,557 per year or \$56.32 per day
Average Population: 2,131

- Inmate population has remained relatively flat from the previous year. This can be attributed to the alternative programs available to first time, non violent offenders.
- During FY00 the Women's prison net inmate cost to the state was reduced due to reimbursements received for housing federal inmates at the Women's prison.

Average Annual Cost per Inmate by Facility and Average Total Inmates



Conservation & Public Lands in New Hampshire



Conservation & Public Lands

Federal

State

Town/County

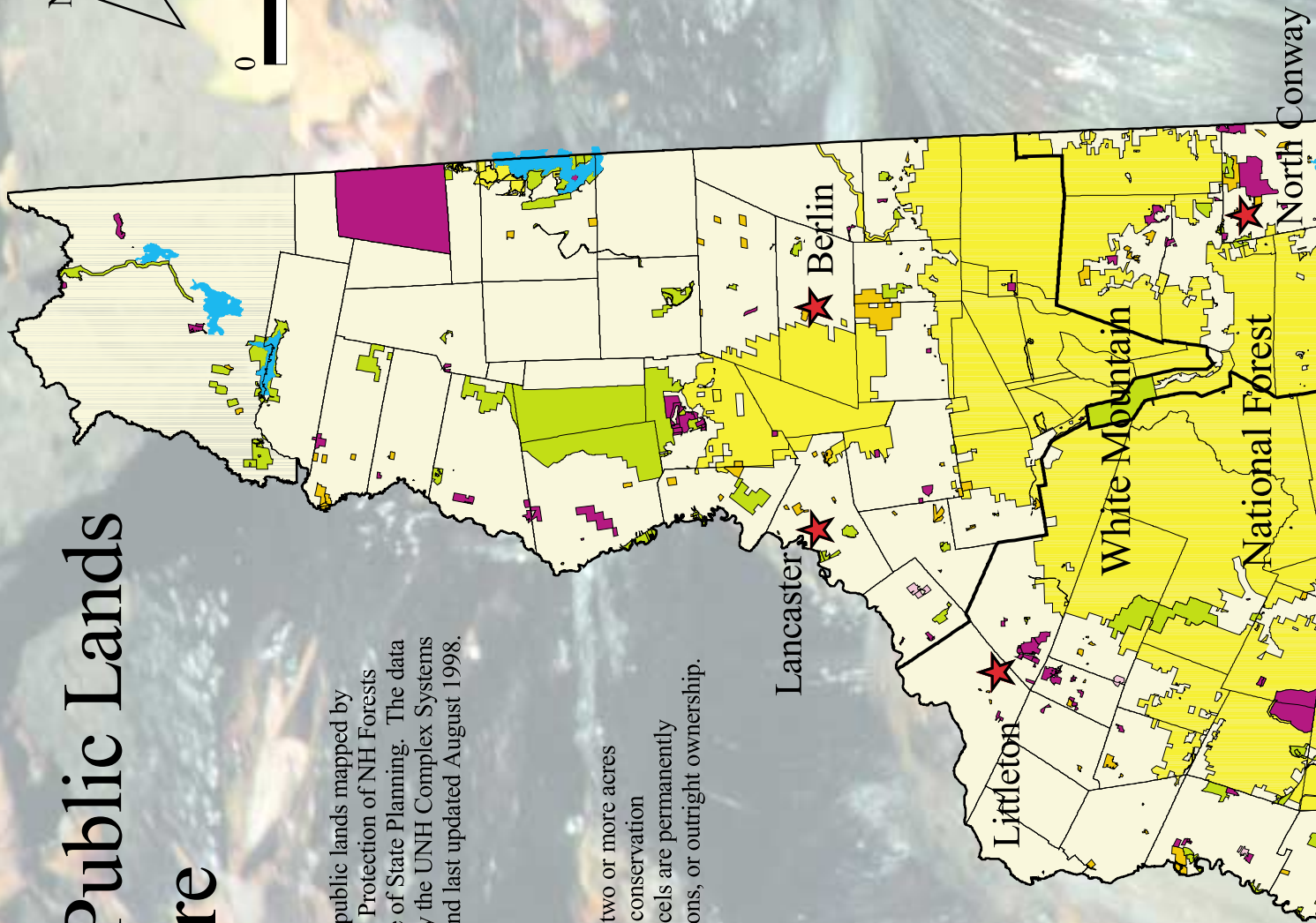
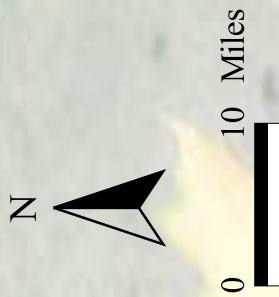
Private, Non-profit

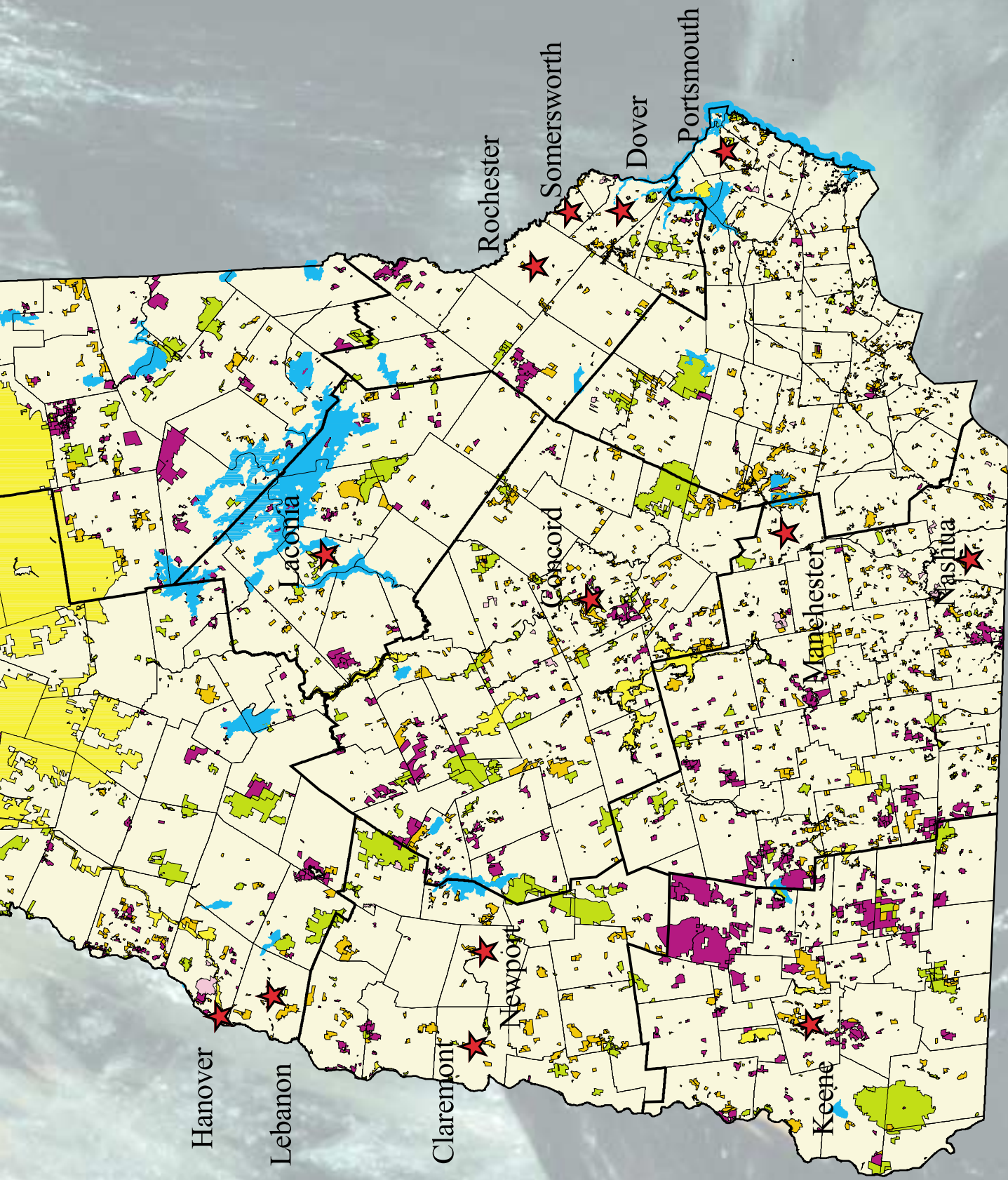
Quasi-public

Data Source:

Conservation and public lands mapped by the Society for the Protection of NH Forests and the NH Office of State Planning. The data were automated by the UNH Complex Systems Research Center and last updated August 1998.

Note: Protected lands shown on this map are parcels of two or more acres in size that are mostly undeveloped and are set aside for conservation and/or recreation purposes. More than 94% of these parcels are permanently protected through conservation easements, deed restrictions, or outright ownership.





Resources and Economic Development

Division of Travel and Tourism

In order to devote more attention to promoting tourism, the state's second largest industry, the Office of Travel and Tourism has been elevated to a full Division with the Department of Resources and Economic Development. With a \$2 million funding increase over the last biennium for promotional activities, additional revenues have been received from domestic and international visitors.

The Division has also created a new website to serve the travel and tourism businesses in New Hampshire. The new site connects the Division with every business in the industry and is used as a reference tool, communication vehicle, source of leads and opportunities, and builds a comprehensive travel and tourism database.

Division of Economic Development

In the last year, the Division was successful in re-starting services to help manufacturers modernize, increase technology transfers and increase communication with local and regional economic development efforts.

Division of Parks and Recreation

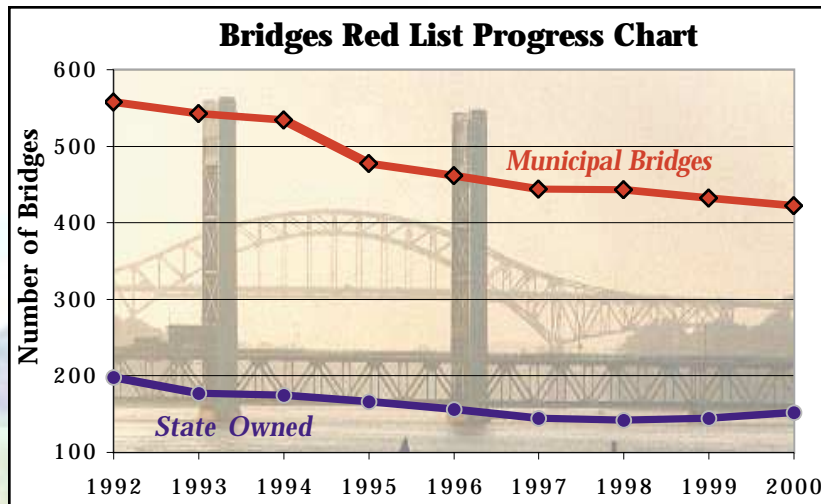
During this past year, the Division of Parks and Recreation continued its 6 million-dollar capital improvement program at Cannon Mountain. Improvements include a high-speed detachable quad chairlift, two triple lifts, a new learning center, and significant trail upgrades.

The Division also completed the Odiorne Point Master Plan and began the master plans for Mt. Monadnock State Park and Hampton Beach State Park.

Major programming saw a continuation of the Student Conservation Association (SCA) and the NH Parks AmeriCorps Partnership, which has been responsible for the completion of projects worth over \$1.5 million in the last five years.



Department of Transportation



The DOT red list reports bridges with known deficiencies in their condition, weight limits, or type of construction. Currently there are approximately 140 state-owned and 420 municipality-owned bridges on the red list.

Facts, Figures and Major Projects

- New Hampshire motorists generate about \$146 million a year in revenues that go into the Federal Highway Trust Fund.
- Over 400 miles of NH roads were newly paved this year.
- Bureau of Turnpikes logged another record year of traffic with more than 99 million vehicles passing through the tolls.
- The largest new project is the Interstate 93 bridge and roadwork in Manchester near Bodwell Road and Interstate 293. This two-year, \$14.2 million project will reconstruct, widen, and improve four bridges that are on the state's red list.
- The \$200 million major widening of NH Route 101 is nearing completion. This will allow motorists to travel from Interstate 93 to Interstate 95 on four lanes of divided highway for the first time. This project was completed 3 years ahead of schedule.
- The F.E. Everett Turnpike expansion project in Nashua has been completed, greatly increasing traffic capacity and reducing congestion. This project was finished 2 years early.
- Major construction continues on the Hillsboro bypass, including road and bridge construction on NH Route 9, wetland mitigation, and a new park and ride facility.
- The Ledyard Bridge over the Connecticut River was completed. This \$11.2 million bridge joins Hanover, NH, and Norwich, VT, and replaces a bridge built in 1935.
- DOT expects to complete the remaining approval process for the \$75 million Manchester Airport access road.
- The acquisition of railroad properties continued. A multi-use recreational path between Rindge and Peterborough has been completed on an abandoned rail corridor.

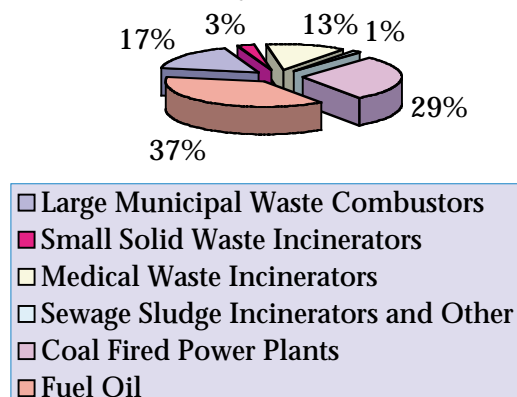
Environmental Services

Two noteworthy Department of Environmental Services (DES) initiatives are highlighted below. These key DES efforts will result in significant environmental and public health benefits.

Mercury Reduction Strategy

In 1998, Governor Shaheen announced the *New Hampshire Mercury Reduction Strategy* which includes a number of recommendations to reduce mercury emissions across the State from municipal waste combustors, medical waste incinerators, utility and non-utility boilers, and other sources. The *Mercury Strategy* commits New Hampshire to reducing its mercury emissions by 50% by 2003. As of 2000, DES completed or initiated many of the 40 action steps included in the Strategy, resulting in an impressive 37% reduction in emissions since 1997 and putting the state on track to meet the 50% reduction goal by 2002.

2000 New Hampshire Estimated Annual Mercury Emissions



Key action steps of the *Mercury Strategy* include:

- Passage of legislation to reduce emissions from large municipal waste combustors and adoption of regulations to reduce emissions from medical waste incinerators, ten times more stringent than the federal level;
- Passage of legislation to prohibit the sale of certain mercury-containing products, to require manufacturers to disclose their addition of mercury to consumer products, and to prohibit the use of mercury in schools;
- Increased mercury deposition monitoring activities;
- Completion of several pilot projects to eliminate mercury in hospitals and co-sponsorship of two “mercury reduction” conferences for healthcare facilities; and
- Assistance in organizing several “thermometer swaps” where free, digital thermometers are given in exchange for mercury-containing thermometers.

Water Supply Land Conservation Grants

With only 11% of the critical lands surrounding existing public drinking water sources permanently protected in New Hampshire, and 39% of community water systems not even controlling the minimum sanitary protective areas around their wells, the State took action in 2000 to create a new Water Supply Land Grant Program. Under this new program, the State will provide 25% of the costs for towns to acquire lands or protective easements for lands around public sources of drinking water to ensure the long-term protection of water quality. DES has partnered with the Society for the Protection of New Hampshire Forests to develop and implement this program. Expected outcomes of this timely program include ensuring a clean and plentiful water supply, protection from contamination and intensive chemical treatment, and conservation of forest and wetland habitats. Currently, \$1.5 million is dedicated for matching grants, and identifying a long-term funding source for this important program remains a high priority.



Through the purchase of lands surrounding Lake Massabesic, Manchester Water Works has been able to control the activity and limit development that affects water quality

College Investing Plan

UNIQUE College Investing Plan

*Sponsored by The State of
New Hampshire – Treasury Department
Managed by Fidelity Investments*

The UNIQUE College Investing Plan, a “529 Plan”, takes advantage of section 529 of the Internal Revenue Code enacted into law in 1996.

529 plans are state-sponsored plans designed to encourage parents, grandparents and other relatives to save for college and help meet the rising costs of a higher education.

The UNIQUE Plan offers many distinct 529 plan benefits including:

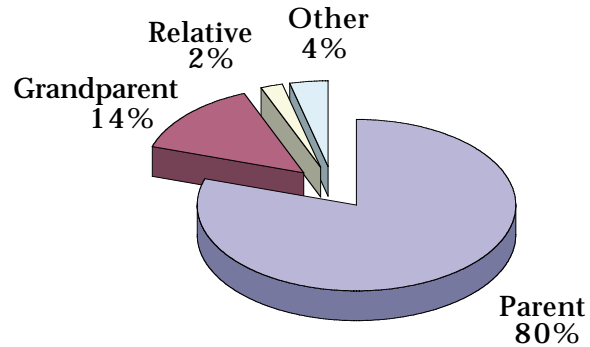
- tax-deferred growth
- withdrawals taxed at the student’s (usually lower) rate
- assets can be used for a wide range of college related expenses
- ability to attend any accredited college or university nationwide
- ability to change beneficiary
- professional money management
- unique gift and estate tax benefits

UNIQUE first accepted deposits in July 1998.

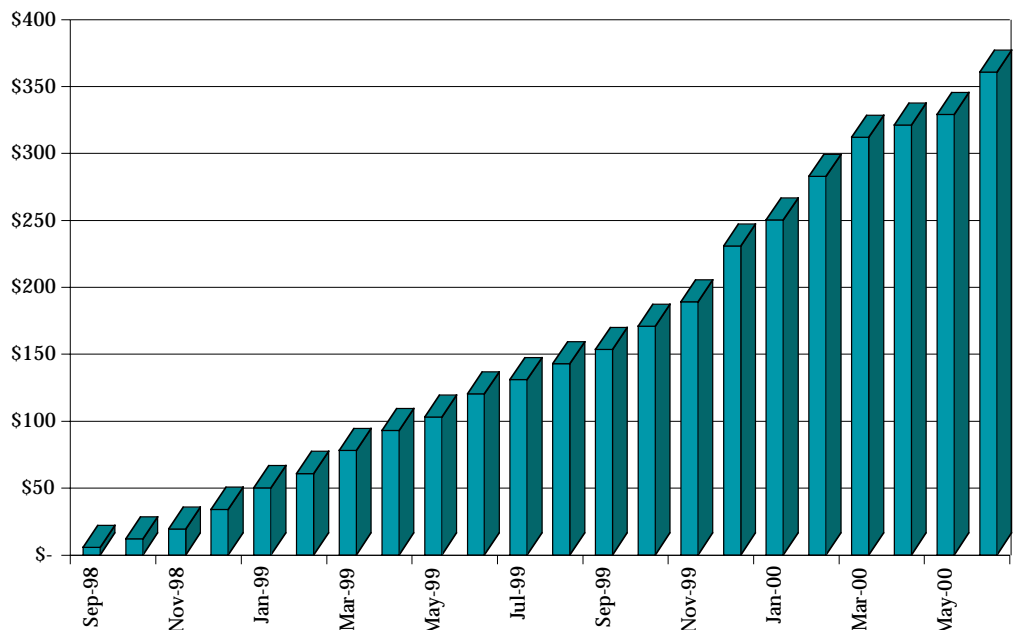
UNIQUE is one of the largest 529 plans in the country in terms of assets and accounts - Assets reached \$361 million by June 30, 2000.

UNIQUE is continuously ranked as a top plan by financial publications such as Kiplinger’s and SmartMoney.

**UNIQUE Plan
Participant Relationship to Beneficiary**



**UNIQUE College Investing Plan Total Net Assets
(In Millions)**

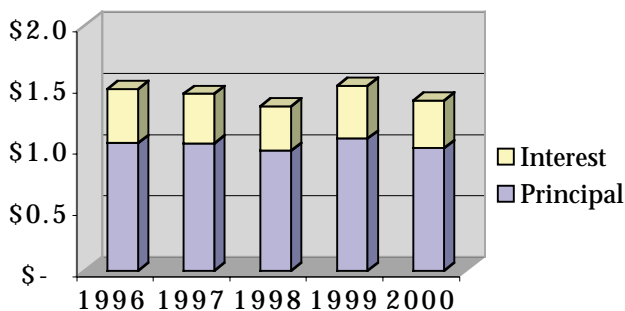


Financial Highlights

Balance Sheet Primary Government (Excluding Trust & Agency Accounts) As of June 30, 2000 and 1999 (In Millions)

	<u>FY 00</u>	<u>FY 99</u>
<u>ASSETS:</u>		
Cash & Cash Equivalents	\$ 310	\$ 359
Investments	131	155
Receivables	481	392
Fixed Assets	1,273	1,111
Other	675	838
Total Assets	<u>\$ 2,870</u>	<u>\$ 2,855</u>
<u>LIABILITIES:</u>		
Payables & Accrued Payroll	\$ 235	\$ 255
Bonds Outstanding	923	984
Other	374	357
Total Liabilities	<u>1,532</u>	<u>1,596</u>
<u>FUND EQUITY:</u>		
Investments in Fixed Assets	753	604
Enterprise Fund Equity	250	236
Special Revenue, Capital & Other Fund Equity	200	231
Health Care Fund	45	43
Education Fund Surplus	66	125
Rainy Day Fund	20	20
General Fund Surplus	4	-
Total Fund Equity	<u>1,338</u>	<u>1,259</u>
Total Liabilities and Fund Equity	<u>\$ 2,870</u>	<u>\$ 2,855</u>

**Debt Outstanding over Past 5 Years
(In Billions)**



The State's bonds are primarily used for capital projects, not to fund general government operations.

Capital projects provide for improvements or additions to the State's buildings, equipment, and infrastructure.

During Fiscal Year 2000, in lieu of issuing bonds, the State issued \$50 million in short term borrowing.

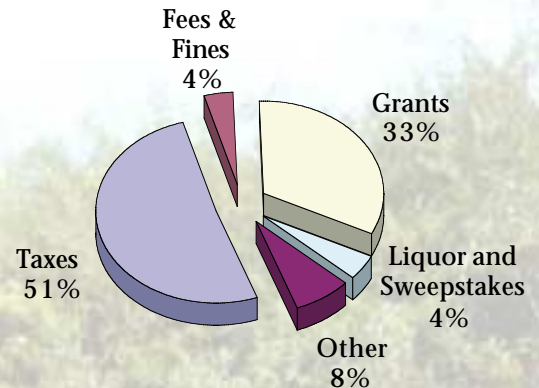
The State's outstanding debt has remained relatively constant over the past 5 years.

Operating Statement
General and Special Revenue Funds
For The Years Ended June 30, 2000 and 1999
(In Millions)

Revenues by Source

	FY 00	FY 99
Taxes	\$ 1,698	\$ 1,073
Fees & Fines	131	126
Grants from Federal Government	958	914
Grants from Private and Local Sources	113	116
Sale of Service and Commodities	86	90
Assessments	22	17
Grants from Other Agencies	3	5
Liquor and Sweepstakes Net Income	138	133
Other	118	61
Total Revenues	\$ 3,267	\$ 2,535

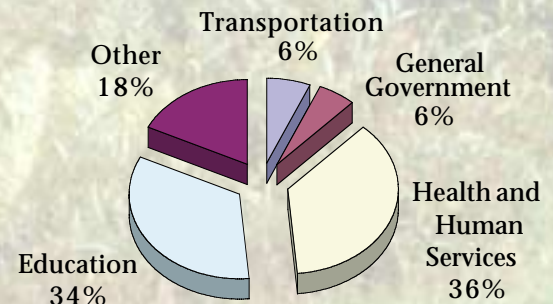
FY 00 Revenues



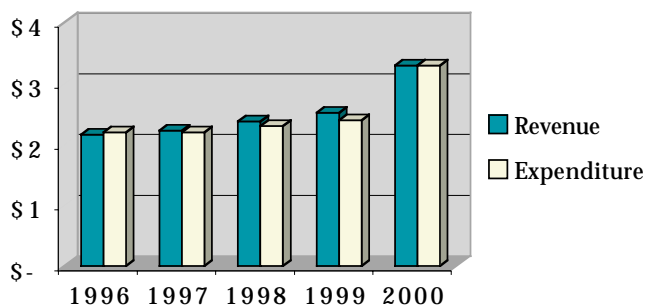
Expenditures by Function

General Government	\$ 184	\$ 179
Justice and Public Protection	201	193
Resource Protection and Development	119	114
Transportation	211	201
Health and Human Services	1,211	1,178
Education	1,108	342
Debt Payments	81	79
Capital Outlay	185	156
Total Expenditures	\$ 3,300	\$ 2,442

FY 00 Expenditures



Revenues and Expenditures for the Last 5 Years General and Special Revenue Funds (in Billions)



During Fiscal 2000 the State expended \$825 million to local communities in the form of education adequacy grants. More than 50% of the funding was generated this year from the newly created statewide property tax totaling \$442 million. The remainder of funding was generated from increases in business, rental cars, real estate transfer, and tobacco taxes. Additional funding was available as a result of transfers from other funds, including Sweepstakes Commission, General Fund, and the tobacco settlement.

Financial Highlights

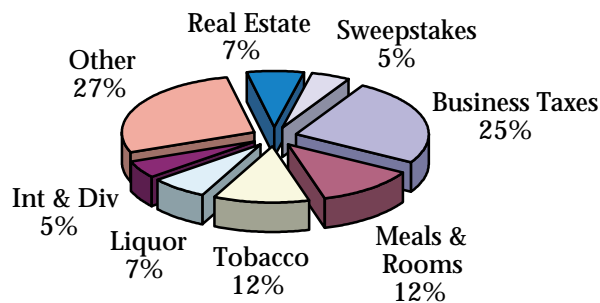
Five Year Summary of General and Education Funds Unrestricted Revenue (in Millions)

	FY 96	FY 97	FY 98	FY 99	FY 00 (2)
Business Profits Tax	\$ 152.7	\$ 172.0	\$ 167.5	\$ 164.8	\$ 168.8
Business Enterprise Tax	25.0	38.2	71.0	93.0	148.5
Subtotal	177.7	210.2	238.5	257.8	317.3
Meals & Rooms Tax	113.4	119.0	128.7	137.2	156.2
Tobacco Tax	44.5	50.4	76.1	73.8	95.0
Tobacco Settlement		-	-	-	54.2
Liquor Sales	66.0	71.7	75.4	77.4	86.0
Interest & Dividends Tax	51.9	52.7	61.8	63.3	65.5
Insurance Tax	50.5	57.2	54.7	62.9	59.3
Communications Tax	35.5	39.3	40.1	46.2	47.8
Real Estate Transfer Tax	30.2	33.3	44.2	52.9	85.0
Estate & Legacy Tax	33.3	40.7	43.3	54.7	56.4
Sweepstakes Transfers	-	-	-	-	61.5
Utility Property Tax	-	-	-	-	31.2
Statewide Property Tax (1)	-	-	-	-	24.2
Other	124.3	125.2	133.5	126.8	130.9
Subtotal	727.3	799.7	896.3	953.0	1,270.5
Net Medicaid Enhancement					
Revenues	102.0	54.3	67.5	70.4	74.1
Subtotal	829.3	854.0	963.8	1,023.4	1,344.6
Revenues to Fund Net					
Appropriations	(10.5)	43.5	9.2	15.9	12.9
Total	\$ 818.8	\$ 897.5	\$ 973.0	\$ 1,039.3	\$ 1,357.5

(1) Represents only that portion of the state property tax collected by municipalities above the local adequacy level

(2) The education fund was established in FY00, therefore revenue includes both General and Education Funds.

General and Education Funds Net Unrestricted Revenue FY 00



In Fiscal 2000, in response to the education lawsuit, the state dramatically increased funding for education and made significant changes to its tax structure.

Since many of the tax changes were increases in the state's traditional taxes, the general and education fund are presented together here. Unrestricted revenue from traditional taxes was \$1,270.5 million for fiscal 2000, a 33.3% increase over the prior year. General and education revenue totaled \$959.3 million and \$311.2 million, respectively. Revenue allocated to the general fund showed minimal increase, since the anticipated revenue growth and tax changes were earmarked for the education fund.

Even with these revenue changes, a deficit in the education fund is projected for fiscal 2001 and is anticipated to grow substantially until a long term funding solution is found.

General Fund Performance

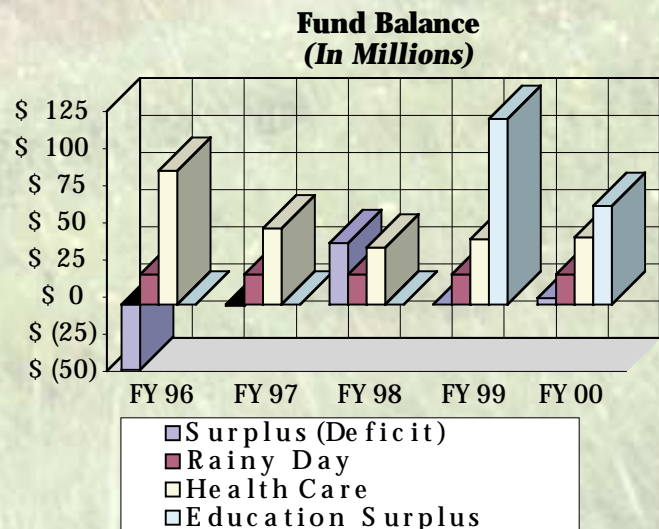
Surplus Statement General and Education Funds Fiscal Year 2000 (in Millions)

	General	Education	Total
Undesignated Fund Balance, July 1	-	\$124.8	\$124.8
Additions:			
Unrestricted Revenues (net) (1)	1,033.4	311.2	1,344.6
Transfers from General Fund		39.6	39.6
Net Additions	1,033.4	350.8	1,384.2
Deductions:			
Appropriations Net of Estimated Revenues (1)	1,081.1	409.3	1,490.4
Lapses	(34.8)	-	(34.8)
Net Deductions	1,046.3	409.3	1,455.6
Other:			
GAAP and Other Adjustments	10.9	-	10.9
HHS Revenue Enhancements	7.4	-	7.4
Net Other	18.3	-	18.3
Current Year Balance	5.4	(58.5)	(53.1)
Fund Balance Transfers (To)/From:			
Designated for Health Care Fund	(1.5)	-	(1.5)
Surplus Fund Balance, June 30,	\$3.9	\$66.3	\$70.2
Designated for Rainy Day Fund	\$20.0	-	\$20.0
Designated for Health Care Fund	\$45.0	-	\$45.0

(1) Does not include statewide property tax and education expenditures of \$418 million that remain at the local level.

The June 30, 2000 general fund surplus balance increased to \$4.0 million. Revenue collected during fiscal 2000 remained on target with projections, while year end lapses were greater than anticipated. Due to tight labor markets and high turnover among state employees, the year end lapses from salary appropriations exceeded expectations and totaled \$12.3 million. Also, the Department of Health and Human Services was again able to maximize federal revenue that supported program appropriations in amounts greater than anticipated.

The Rainy Day Fund remained at \$20 million this year and the Health Care Fund increased by \$1.5 million to \$45.0 million.



Financial Highlights

Education Trust Fund - Funding Analysis (In Millions) Fiscal Year 2000

Source	Amount	Description
July 1, 1999 Balance	\$ 124.8	Beginning balance
Revenue and Transfers		
Statewide Property Tax - Local	418.0	\$6.60/1,000, retained at local level
Statewide Property Tax - Donor	24.2	\$6.60/1,000, donor communities
Utility Property Tax	31.2	\$6.60/1,000
Business Profits Tax	22.4	1% increase in BPT from 7% to 8%
Business Enterprise Tax	54.1	.25% increase in BET from .25% to .5%
Meals & Rooms	6.3	Extended 8% tax to rental cars
Real Estate Transfer Tax	28.2	Tax increase from \$5.00/1,000 to \$7.50
Tobacco Tax	26.6	\$0.15/pack increase
Tobacco Settlement	37.8	Annual payment from National Tobacco Settlement
Tobacco Signing Bonus	16.0	One-time payment
Sweepstakes Proceeds	61.5	Net profit for Fiscal 2000
Other	2.9	Interest
Subtotal	729.2	
Transfers from General Fund	39.6	Formerly Revenue Sharing, Foundation Aid, & Kindergarten Aid
Total Revenue and Transfers	768.8	
Appropriations		
Adequate Education Grants	406.8	Statewide property tax disbursed by state
Adequate Education Grants	418.0	Statewide property tax retained at local level
Subtotal	824.8	
Hardship Grants	1.2	
Public Kindergarten Prgms	1.0	
Admin.	0.3	
Total Appropriations	827.3	
June 30, 2000 Balance	\$ 66.3	Balance Forward to Fiscal 2001

The New Hampshire Supreme Court handed down a decision that requires the State to provide an adequate public education and to guarantee adequate funding. The Legislature set an initial cost of funding an adequate education at \$825 million annually. It was determined that a statewide property tax would be assessed to temporarily fund the portion of this amount that is not currently available through the State's General Operating Fund. This method of funding will sunset in January 2003 and therefore, a permanent means of funding will be required.

A new Education Trust Fund was established in fiscal 2000 to track revenues and expenses related to education funding. The table above highlights the revenue collected during fiscal 2000 and the education disbursements.